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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

BEFORE THE HONORABLE PHYLLIS J. HAMILTON

STEVE SHAPIRO and STEVE SHAPIRO	)	
MUSIC,	)	
	)	
Plaintiff.	)	
	)	
VS.	)	NO. C 07-5540 PJH
	)	
JUPITERIMAGES CORP. et al,	)	
	)	San Francisco, California
Defendants.	)	Wednesday
	)	January 9, 2008
	)	9:00 a.m.

**TRANSCRIPT OF PROCEEDINGS**

**APPEARANCES:**

**For Plaintiff:** LAW OFFICE OF STEVEN B. STEIN  
44 Montgomery Street  
36th Floor  
San Francisco, California 94104  
**BY: STEVEN B. STEIN, ESQ.**

**For Defendants:** Jeffer, Mangels, Butler & Marmaro  
1900 AVENUE OF THE STARS  
7th Floor  
Los Angeles, California 90067-4308  
**BY: JEFFREY K. RIFFER, ESQ.**

**Reported By:** *Debra L. Pas, CSR 11916, CRR, RMR, RPR*  
*Official Reporter - US District Court*  
*Computerized Transcription By Eclipse*

*Debra L. Pas, CSR, CRR, RMR, RPR*  
*Official Reporter - U.S. District Court - San Francisco, California*  
*(415) 431-1477*

P R O C E E D I N G S

JANUARY 9, 2008

9:00 a.m.

**THE CLERK:** C07-5540, Steven Shapiro and others  
versus Jupiterimages Corporation.

Appearances, counsel.

**MR. STEIN:** Steven Stein appearing for Steven  
Shapiro.

**MR. RIFFER:** Jeffrey Riffer for defendant  
Jupiterimages Corporation.

**THE COURT:** What's the name again?

**MR. RIFFER:** I'm sorry, your Honor. Jupiterimages.

**THE COURT:** No, your name.

**MR. RIFFER:** Jeff Riffer.

**THE COURT:** Counsel who are going to argue the  
motion, please come to the lectern. Defendant is on that side,  
plaintiff is on that side.

All right. Now, defense counsel, you practice in the  
Central District regularly?

**MR. RIFFER:** Correct.

**THE COURT:** For some reason everyone down here uses  
these blue backers. We don't use them here. Please don't put  
them on the files. They are --

**MR. RIFFER:** You are absolutely right, your Honor.  
That was a mistake. I apologize.

1           **THE COURT:** For some reason Southern California  
2 lawyers always put these blue things on their briefs.

3           **MR. RIFFER:** I'm sorry.

4           **THE COURT:** We don't require it and it's an  
5 annoyance.

6           All right. This matter is on for hearing on the  
7 defendant's motion to dismiss or stay and request for judicial  
8 notice. As the documents that you seek to have the Court  
9 judiciously notice are proper, that motion will be granted.

10           But with regard to the motion to dismiss or stay, I  
11 have reviewed your papers.

12           Mr. Riffer, is there anything else you wish to add?

13           **MR. RIFFER:** No, your Honor.

14           **THE COURT:** All right. Mr. Stein, did you wish to  
15 say anything in opposition to the motion? I have reviewed your  
16 papers as well.

17           **MR. STEIN:** I see, your Honor. I have reviewed the  
18 Mediostream decision that your Honor rendered on September 24,  
19 2007. I am prepared to -- using that decision as a guide to  
20 your Honor's thinking --

21           **THE COURT:** I don't remember anything about the  
22 decision, so why don't you --

23           **MR. STEIN:** I am prepared to orally argue my  
24 position, your Honor. I have never been before you in the  
25 past.

1           **THE COURT:** All right.

2           **MR. STEIN:** I think this -- I would like to present  
3 things to you, but I know that your Honor is busy and I don't  
4 want to repeat what I have said.

5           I will try to say things differently, but what I'm  
6 basically doing is using your Honor's decision in the  
7 Mediostream versus Priddis Music case as the outline for my  
8 presentation.

9           **THE COURT:** I have 400 cases and I hear a dozen  
10 motions a week. I don't remember Mediostream. So if you think  
11 that it has a bearing, you should argue it.

12           **MR. STEIN:** All right, your Honor.

13           Your Honor, the opposition to the transfer is based  
14 upon a series of levels of discussion of factual issues that  
15 your Honor in her discretion in whether to keep a declaratory  
16 case under the declaratory judgments act is broad as discretion  
17 could possibly be.

18           And so the question is whether or not there is an  
19 actual controversy. And in the dec relief case initially filed  
20 in the San Francisco Superior Court, removed to this Court,  
21 whether or not there was an actual controversy.

22           In order to present that to you, I would like to take  
23 two or three minutes to talk about the ongoing process that led  
24 to the filing of the dec relief case so that your Honor would  
25 have the basis as is in my papers, but would also have the

1 basis from oral argument and some additional information I  
2 would like to provide as to what that controversy was and how  
3 it happened.

4 I will say by means of outline that there is another  
5 issue in the case as to whether or not this was a race to the  
6 courthouse or not, and there are some factual issues that are  
7 involved in that. I have submitted a declaration to your Honor  
8 that's very clear in terms of my position. And then there is a  
9 counter declaration that changes one of the facts, and I will  
10 get to that.

11 And then the issue is also, as your Honor laid out,  
12 and again using the road map of, you know, what is fair to the  
13 parties. And that's basically, your Honor, the outline.

14 Your Honor, this case involves something very  
15 interesting which most people see, hear, experience every day,  
16 but, yet, they don't know how it happens. And that is, seeing  
17 a visual, usually on television -- let's limit it to  
18 television -- and music that is played in the background and  
19 how that music is created, chosen and committed to a particular  
20 video.

21 **THE COURT:** The programming or commercials, doesn't  
22 matter?

23 **MR. STEIN:** I'm so sorry, your Honor?

24 **THE COURT:** In both regular programming and in  
25 commercials?

1           **MR. STEIN:** Yes. I would say it more applies to  
2 commercials, but it also would apply to regular programming.  
3 I don't watch that much television to have a memory of  
4 programming, but -- oh, I know what it would be.

5           If you have these info commercials, that would be  
6 something that could be music to that.

7           So the question is: How is that put together? How  
8 do they put the music to the visual. And then what else  
9 happens? What else happens is the music is intended to broaden  
10 the experience of the visual. And so it really goes to  
11 emotions. It goes to feelings. It goes to perceptions. It's  
12 trying usually to sell.

13           Steve Shapiro in the Bay Area is one of the leading  
14 composers and individuals whose service is to put music to a  
15 visual.

16           **THE COURT:** He doesn't write all the music that he  
17 puts to visuals, does he?

18           **MR. STEIN:** He writes 90 percent of it, maybe  
19 95 percent of it. After having a client sample his earlier  
20 music and the earlier music that has been created by others,  
21 for which he has the rights to show to the client and for which  
22 when he uses that other music written by other people, he pays  
23 them a fee, and the fee is in the nature of \$50 or \$75. It's  
24 called needle drop music.

25           And so what he does is to first sample the other

1 people's music and in sampling other people's music, he gets a  
2 sense of what the client is looking for. And then he has a  
3 flute and a keyboard and what he is able to do, because he is a  
4 musical -- he was a musical prodigy as a child, what he is able  
5 to do is then say, "How about if we do it this way?" And he  
6 plays the flute and then -- okay.

7 Now, he created what's called the Steve Shapiro Music  
8 Library and thought to himself, you know, I do this for  
9 clients, maybe I can put this on the internet as well and maybe  
10 I can sell at least the songs that I have written and songs  
11 that other people have written and then would pay fees if it  
12 was somebody else's music, and that was his concept.

13 Well, Steve Shapiro works in a little room where he  
14 has all his equipment, but as it turns out, there are others  
15 who have the same idea, because in the evolving world of  
16 digital and computers and things that I certainly didn't grow  
17 up with, people are trying to do all kinds of creative things.

18 So Jupiter had an idea that this is a very good  
19 things to do, and so we are going to -- we are a publicly  
20 traded company and what we are going to do is we are really  
21 going to put this out there as a business.

22 Now, I'm going to -- let me go back to the creative  
23 process. The key to the creative process are key words. And  
24 the creative process of using the key words also involves a  
25 database.

1 I'm going to say to your Honor that it is almost  
2 impossible to describe what I'm explaining to you. I did,  
3 however -- and Mr. Riffer has not seen it yet. I did create an  
4 audio visual presentation, which, unfortunately, was just  
5 finished yesterday, which explains all this. So I want to get  
6 back to that a little bit later, but I was enthralled by it --

7 **THE COURT:** As interesting as this is, I don't know  
8 that it has any bearing on this motion.

9 **MR. STEIN:** It doesn't until I -- because I haven't  
10 gotten to the point where I explain how the problems arose.

11 There is a database. Jupiter said to Steve Shapiro,  
12 "We are starting this business. We want to purchase your  
13 library".

14 Steve Shapiro said to Jupiter, "I have no rights to  
15 sell all of the music in my library. There are 7,000 tracks in  
16 my library and I only wrote 2,000 of them."

17 So Jupiter said, "That's fine. Take out the ones  
18 that are not yours. We want to buy your tracks." And they  
19 entered into a written contract.

20 And the contract basically said, you are going to  
21 give us your tracks. We are going to pay you on a per track  
22 basis. We are going to -- we want you to take out the ones  
23 that are not yours and we want you to represent and warrant  
24 that these are your tracks, and he said fine.

25 In addition, we are going to put in an indemnity



1 agreement and the indemnity agreement is going to be very clear  
2 and it is going to lay out exactly what it is is you are  
3 responsible for.

4 In addition, we are going to agree to a limitation of  
5 liability, and the limitation of liability basically says that  
6 no party shall be entitled to incidental, consequential,  
7 indirect or special damages. And that's Article 6.1 of the  
8 contract.

9 So -- and other than fraud or willful misconduct,  
10 there can be no -- there won't be any consequential damages.

11 As it turned out, and this is very hard to  
12 understand, 400 of the 2,200 tracks turned out not to meet the  
13 warranty standards.

14 **THE COURT:** Why is that hard to understand?

15 **MR. STEIN:** How can that -- it's hard to understand  
16 how that could happen when somebody is transferring this music.  
17 Lay people -- I couldn't understand it. Other people I have  
18 talked to have not understood it.

19 But it happened and I represent to the Court that I  
20 can prove and would prove in the context of this case, as I  
21 said to Jupiter, that even though it sounds terrible, I will  
22 prove to you that it was inadvertent. It was not fraud. It  
23 was not willful.

24 Over a period of time when these tracks became known  
25 not to meet the warranty standards, I was the negotiator and

1 discussing with Jupiter how these issues would be handled.  
2 That occurred over a period of months, and over that period of  
3 months a problem track arose. The problem track was dealt  
4 with. The indemnity was covered and all of the agreements as  
5 to 5.1, which is a simple indemnity agreement, all of those  
6 were completely dealt with. A period of months.

7           There then came a time when there was a discussion  
8 with the senior general counsel of the company, who basically  
9 said, look, we want consequential damages as well. And I said,  
10 the contract doesn't provide for consequential damages unless  
11 there is fraud or willful misconduct and that's not present  
12 here.

13           And he said, It is present here. It is present here  
14 just because ipso facto 400 tracks out of 2,000, 2,200, what  
15 are we talking about? How can it not be?

16           I said, it's not fraud. It's not willful misconduct  
17 and we have a dispute about that.

18           And so we then talked about -- he said, well, also,  
19 we want to rescind and we don't want any of these tracks any  
20 more.

21           And I said, look, there is no basis for rescission.  
22 There is certainly no basis for fraud, and we certainly have an  
23 immediate dispute over whether or not there is willful  
24 misconduct or fraud.

25           So he said -- I said, how are we going to resolve

1 this? How can we do this?

2 And he said -- this is Mr. Eisenberg. "I'm not  
3 interested in trying to resolve this now. My belief is we  
4 should continue to handle all of these issues with indemnity as  
5 they come up. We claim and want consequential damages and we  
6 will deal with that later."

7 It was -- I stand before your Honor as an officer of  
8 the court. I stand before your Honor speaking under penalty of  
9 perjury, which is in my declaration. That is correct is the  
10 discussion and it was absolutely 1,000 percent clear that  
11 Jupiter was not intending to file any litigation regarding that  
12 discussion.

13 I specifically said --

14 **THE COURT:** Did he say, "We do not intend to file any  
15 litigation with regard to consequential damages"?

16 **MR. STEIN:** No. "At this time." "At this time."

17 **THE COURT:** And that time was what time, September  
18 26th?

19 **MR. STEIN:** '5th or '6th, yes. At this time. And  
20 until we finish, until this process is finished.

21 I then said, look, if there is going to be litigation  
22 at the end of all of this, I want that litigation to be in  
23 California because in order for Steve to meet the challenges  
24 that are coming up, it really has to be in California. The  
25 witnesses are in California. It makes no sense for him to try

1 to meet that challenge in Connecticut.

2 So even though -- I can almost quote myself --

3 **THE COURT:** So you did talk about litigation with  
4 Mr. Eisenberg.

5 **MR. STEIN:** No question I talked about it. No  
6 question that I talked about it. And I said to Mister --

7 **THE COURT:** Did you tell him that you were going to  
8 file a declaratory relief action the very next day?

9 **MR. STEIN:** Yes. I said, what I'm going to do is I'm  
10 going to think about it.

11 He asked me not to -- he asked me not to file and  
12 said it wouldn't be a good thing.

13 I said, I have to give a lot of thought to whether to  
14 do that or not. I think it's time to meet that challenge, and  
15 I have to think about it and I'm going to think about it over  
16 the weekend. And so --

17 **THE COURT:** But you didn't think about it over the  
18 weekend. You filed, roughly, the next day, didn't you?

19 **MR. STEIN:** No. My belief your Honor is -- and I'm  
20 looking for my notes as to the dates.

21 **THE COURT:** The state court action was filed on  
22 September 26. Your declaration says that the conversation --  
23 I'm sorry, September 27 it was filed.

24 Your declaration says that the conversation took  
25 place on September 26. Mr. Eisenberg says it took place on

1 September 27.

2 But in any event it happened either -- you either  
3 filed on the same day or the very next day.

4 **MR. STEIN:** I would like to look at my -- I just have  
5 to look at my -- my email of --

6 **THE COURT:** I'm sorry. Mr. Eisenberg says that the  
7 -- you filed the lawsuit on September 28th having had the  
8 conversation with him on the 27th.

9 He's clearly wrong because the lawsuit is stamped  
10 filed September 27th. So I'm assuming that your declaration is  
11 correct. You say the conversation took place on  
12 September 26th.

13 **MR. STEIN:** I would refer your Honor to my email that  
14 is the dated September 30th, which is attached as an exhibit to  
15 my declaration.

16 And I wrote to him:

17 "Mitch, because we are so far apart on the issues  
18 of the scope of indemnity and whether Jupiter is  
19 entitled to consequential damages, I decided to go  
20 ahead and file a dec relief action in the  
21 San Francisco Superior Court."

22 I wrote to him that on September the 30th, 2007.

23 **THE COURT:** Sunday, September the 30th.

24 **MR. STEIN:** Please, your Honor?

25 **THE COURT:** Sunday, September 30th you wrote that.

1           **MR. STEIN:** So it would have been filed on that  
2 Friday.

3           **THE COURT:** So you wrote him this letter after you  
4 had already filed it?

5           **MR. STEIN:** Absolutely.

6           **THE COURT:** All right. Which means that you filed it  
7 on Friday, September 28th.

8           **MR. STEIN:** Very, very possible. I'm sorry for not  
9 having the dates in my mind.

10           **THE COURT:** And your conversation with him in which  
11 you told him you were going to think about it occurred on what  
12 day, Thursday the 27th?

13           **MR. STEIN:** Either Wednesday or Thursday, and I'm not  
14 sure which.

15           **THE COURT:** All right.

16           **MR. STEIN:** But the main point of that is this, your  
17 Honor --

18           **THE COURT:** So, in other words, you thought about it  
19 overnight.

20           **MR. STEIN:** That's right, and talked to my client  
21 about it. That's right. And came to the conclusion --

22           **THE COURT:** Didn't you just say that you told him  
23 that you were going to think about it over the weekend?

24           **MR. STEIN:** My recollection as I stand here now is  
25 that was my recollection, and that is my recollection, and that

1 is exactly what I just said, of course, your Honor.

2 It may have been -- it may have been I thought about  
3 it and filed it the next day. I just don't remember. And I  
4 apologize to the Court because the documents clearly show that.

5 But there is a very interesting rule of these issues  
6 about whether or not there truly is a race to the courthouse,  
7 and the fact is --

8 **THE COURT:** I would say if you filed it the next day,  
9 that sounds pretty much to me like a race to the courthouse.

10 **MR. STEIN:** There can only be a race if there are two  
11 horses racing. And I actually cited case law, which I can find  
12 for your Honor, not from this Court but from another Court.

13 And the fact is that the -- as your Honor wrote:

14 "A suit is anticipatory when the plaintiff filed  
15 upon receipt of specific concrete indications that a  
16 suit by defendant was imminent."

17 The context of this filing was that the suit by the  
18 defendant not only was not imminent, but was -- was truly  
19 stated that it's not going to be filed.

20 **THE COURT:** That's not exactly what Mr. Eisenberg  
21 says.

22 **MR. STEIN:** That's true.

23 **THE COURT:** And I should believe you more than I  
24 should believe him?

25 **MR. STEIN:** Yes.

1           **THE COURT:** And tell me why.

2           **MR. STEIN:** Okay. I would like to present to your  
3 Honor an exhibit. May I hand up an exhibit, your Honor?

4           This is an exhibit I served on Mr. Riffer titled,  
5 "To Be Submitted By Plaintiff During Oral Argument In Support  
6 Of Race To The Courthouse Factual Dispute."

7           **MR. RIFFER:** We object, your Honor. He served this  
8 on us yesterday. We served this motion in November, before  
9 Thanksgiving.

10           **THE COURT:** This is not part of the exhibits that you  
11 submitted in your opposition?

12           **MR. STEIN:** No.

13           **THE COURT:** All right. And what's your reason for  
14 not making it a part that exhibit?

15           **MR. STEIN:** Because the information here that I will  
16 present to your Honor -- and I will certainly present it orally  
17 if you prefer -- could not have been known until I read Mr.  
18 Eisenberg's declaration.

19           **THE COURT:** And that was in -- attached to his reply  
20 brief or the opening brief?

21           **MR. STEIN:** Yes.

22           **THE COURT:** Was it attached -- was Mr. Eisenberg's  
23 declaration submitted in support of the reply or the moving  
24 papers?

25           **MR. RIFFER:** It was the reply, your Honor.



1           **THE COURT:** Okay. And that was filed two weeks ago.

2           **MR. STEIN:** That was filed two weeks ago and was  
3 followed by -- let me orally explain what this is and then your  
4 Honor can decide if she wishes to accept it, if I may.

5           What I did was to serve a notice to produce documents  
6 adhering on the motion to dismiss. In the cover communication  
7 I stated to Mr. Riffer -- and I served this, by the way, as  
8 intending to go to the two attorneys. I said -- I will  
9 represent to your Honor that Mr. Eisenberg's assistant,  
10 Samantha Siegel, takes copious notes on everything that is said  
11 at these hearings, at these meetings that we held.

12           I was well aware -- I was well aware that she was  
13 taking notes. She told me she did. I stated in my -- I stated  
14 in my cover request -- I made a request to produce those notes  
15 at the hearing.

16           I stated:

17           "Here is a formal notice asking for production of  
18 the hearing." I'm going to paraphrase to move  
19 forward. "Samantha told me she takes very detailed  
20 notes of all phone conferences. Obviously,  
21 contemporaneous notes of a phone conference are  
22 evidence of what was said. My recollection of what  
23 was stated between Mitch and me is very different  
24 from Mitch's declaration. In particular, I quite  
25 vividly remember he did not advise me of an intention

1 to immediately file litigation or to file on  
2 October 1, 2007. I expect that claim to have done so  
3 will not be supported by sample that's notes."

4 I close by saying, to Mr. Riffer:

5 "Prove me wrong by producing Samantha's notes.

6 If they support Mitch's declaration, the result would  
7 surely be I look bad to the judge and that could be a  
8 key factor in whether the case stays in California."

9 The response from Mr. Riffer was an objection that  
10 states that rule 26 provides exceptions, that a party may not  
11 seek discovery, et cetera.

12 But the cover email from Mr. Riffer is quite  
13 revealing. The cover says -- because it reflects that  
14 Mr. Riffer spoke to his client. He basically said:

15 "Mr. Eisenberg's declaration is supported by your  
16 declaration and your actions. You admit in your  
17 declaration that litigation was discussed."

18 You then -- I'm paraphrasing, your Honor. I don't  
19 want to read it word for word. Check the boxes declaratory  
20 relief complaint. The complaint does not provide facts.

21 What this reflects -- what this reflects, your Honor,  
22 this email, is that Mr. Riffer conferred with his client to  
23 determine if there were notes. He conferred -- he could have  
24 obtained those notes, and I respectfully urge to the Court that  
25 this -- that the request to produce, the reason for production,

1 the refusal to produce, the mention of discussions with  
2 Mr. Eisenberg that are referenced in Mr. Riffer's complaint at  
3 least provide the Court an inference, at least provide the  
4 Court an inference that my statement is true and that the notes  
5 do not reflect that.

6 And I stand before your Honor and again repeat under  
7 penalty of perjury that it was extremely clear in my  
8 conversation that I was giving very serious consideration to  
9 filing litigation.

10 I represent to the Court that if the notes are  
11 ordered to be produced -- and, frankly, your Honor, I would  
12 urge your Honor before you make a final decision to ask for  
13 those notes to be produced, because I think they do reflect and  
14 support that this was not a race to the courthouse; that  
15 this -- that you can't have a race unless you have two horses,  
16 and that my decision and my recommendation to my client to file  
17 immediately and not use the process that Jupiter wanted to use,  
18 which is let's finish all the indemnities and let's -- after we  
19 finish that indemnity with third parties, then we will address  
20 this.

21 My decision was it's time to bring this to a head.  
22 And I did not race to the courthouse. I walked very quickly  
23 because I made the decision that in the ongoing process that it  
24 was -- it was the best way to deal with the claim of fraud was  
25 to file that litigation.

1 And I would urge your Honor the standard that your  
2 Honor at least articulated in this other situation, which is  
3 specific contract indications that a suit by defendant is  
4 imminent, that's the Z-Line Designs case, 48 Federal Supp.2d,  
5 1188.

6 And I will leave it at that. I mean, I can't say  
7 more about that.

8 **THE COURT:** All right.

9 **MR. STEIN:** I'm going to stand now, your Honor,  
10 because I think I have raised the two issues of -- of the  
11 convenience of the plaintiff, the ability of the plaintiff to  
12 defend the claims of fraud. If any acts of fraud took place,  
13 they took place in California. If there were witnesses to the  
14 fraud, they took place in California. There is no relationship  
15 of Jupiter in any of this except its executive offices are in  
16 Connecticut.

17 There are questions -- and the last signature was  
18 signed -- of the contract was signed in Connecticut.

19 So on the basis of what is fair to the parties --  
20 and, again, asking your Honor to look very hard at the question  
21 of whether or not the mere fact that I filed the next day as  
22 opposed to two days later or three days later or a week later,  
23 not in the face of imminent filing by the other side, is the  
24 disfavored race to the courthouse, which obviates plaintiff's  
25 first -- the rule that usually exists, which is first to file

1 sets the venue.

2           **THE COURT:** All right. Response?

3           **MR. RIFFER:** Yes, your Honor.

4           Mr. Stein's own statements to this Court show that he  
5 was in an improper race to the courthouse. He said, there was  
6 no question that we talked of litigation with Mr. Eisenberg.  
7 And the very -- there is no question he told you today that he  
8 told Mr. Eisenberg that he would think about it over the  
9 weekend and, yet, the very next day he ran into state court.

10           It was a check-the-box complaint. It said nothing  
11 with further evidence that it was a race to the courthouse. He  
12 just checked a few boxes. He didn't even say what declaration  
13 he wanted the Court to issue. All he said was there is a  
14 dispute. Obviously, it was a race to the courthouse, in light  
15 of his own comments.

16           Nothing that Mr. Stein said today goes to the heart  
17 of what our papers said, including our moving papers and our  
18 reply. It is unquestioned that dec relief is discretionary,  
19 and the courts look at what factors.

20           The first is that declaratory relief is not to be  
21 used to try a case piecemeal or to settle some issues, but not  
22 the entire controversy.

23           In Connecticut we have the entire dispute. We have  
24 nine or ten causes of action for damages, punitive damages. In  
25 contrast, in this case all that Mr. Shapiro, the plaintiff, is

1 asking for is declaratory relief on four limited issues. It  
2 does not cover everything.

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1           We have cited cases, the Villo (phonetic spelling)  
2 case, which was a Southern District of California case that  
3 just came out in November of 07, and then two cases that are  
4 virtually directly on point, the Koch case and the First  
5 Nationwide case, that deal with a declaratory relief that was  
6 filed initially in one court, and then the lawsuit for the  
7 entire controversy in another court. And in both Koch and  
8 First Nationwide also in Villo (phonetic spelling), in each of  
9 those cases the Court dismissed the declaratory relief action.

10           Here Mr. Stein's opposition papers concede that the  
11 Connecticut action is broader than this case. He concedes on  
12 Page 12 of his papers that the UCC and Unfair Trade Practices  
13 are not part of this case.

14           Obviously, he has got nothing in this case dealing  
15 with punitive damages, with fraud, with -- that you have got a  
16 claim in the Connecticut case that Mr. Stein himself -- acting  
17 on behalf, of course, of his client, Mr. Shapiro -- breached a  
18 confidentiality term in the contract. Contract says it's  
19 confidential, not to be disclosed. Yet, it was an exhibit to  
20 the state court complaint.

21           There is nothing in the declarations that he is  
22 asking in this Court that have anything to do with that. The  
23 result is that if this Court took this case, it would not  
24 resolve the entire controversy and that's an improper use of  
25 declaratory relief.

1           The second main point is that declaratory relief is  
2 improper when its only purpose is to defeat liability in a  
3 subsequent coercive case. We cited the American South Bank  
4 case, which is was a Sixth Circuit case, which was an abuse of  
5 discretion to retain declaratory relief case in that action.

6           And, third, we have already talked about is  
7 declaratory relief actions are disfavored when they are filed  
8 in anticipation of another lawsuit.

9           We urge the Court to dismiss this case.

10          **MR. STEIN:** May I say one more thing in reply?

11          **THE COURT:** Well, the defendant is the moving party.  
12 The defendant gets the last word. He simply acceded his first  
13 argument to you. You have made your argument, so you don't get  
14 the last word on this.

15          However, I will give you two minutes to make any  
16 further statements and then, once again, Jupiterimages gets the  
17 last word.

18          **MR. STEIN:** Thank you, your Honor.

19          To meet the issue of whether or not in that  
20 Connecticut case a motion, as indicated in our papers, was  
21 filed before Judge Arterton in Connecticut. It's a motion to  
22 stay. And in the event your Honor rules that the declaratory  
23 relief action stays here in California, that she order that the  
24 Connecticut case be transferred here. That motion was filed  
25 yesterday. And that's before Judge Arterton, not set for



1 hearing until February 15.

2           So in the event there is a decision by the Court to  
3 keep the case here, I'm sure as a matter of comity and the  
4 cooperation among the federal district courts that Judge  
5 Arterton would send the case here for all purposes.

6           **THE COURT:** You are sure of that?

7           **MR. STEIN:** Yes, your Honor. I am sure of it because  
8 I believe --

9           **THE COURT:** I don't understand how you can file a  
10 motion before a district judge and come to another district  
11 judge and say you are sure what that judge is going to do.

12           **MR. STEIN:** I will cite the Second Circuit cases for  
13 you, your Honor. I, frankly, didn't study -- I will cite the  
14 second circuit cases that basically hold -- if you will give me  
15 a moment, which I don't really have.

16           In the Second Circuit they will -- that judge will  
17 defer to your Honor. And if your Honor decides the case should  
18 be here, will transfer the case.

19           **THE COURT:** My only point, counsel, is that I think  
20 you would be better served by simply suggesting that the law  
21 would support an estimate or a guess that she would do that.

22           But to come in here and tell me that you are sure  
23 what some judge is going to do in the Connecticut district --

24           **MR. STEIN:** I thank your Honor for bringing that up  
25 to me.

1           **THE COURT:** I certainly would hope you wouldn't go to  
2 that Court and tell them that you are sure I'm going to behave  
3 in a certain kind of way.

4           **MR. STEIN:** No, your Honor. Thank you.

5           **THE COURT:** All right. Is there anything else you  
6 wish to say?

7           **MR. RIFFER:** No, your Honor.

8           **THE COURT:** All right. Matter stands submitted. I  
9 will give you a ruling now so that you will know where to go.  
10           The Declaratory Judgment Act requires that the Court  
11 balance a number of different considerations. Both sides have  
12 cited the appropriate cases. You are aware that the Court has  
13 a great deal of discretion whether or not to entertain an  
14 action under the Declaratory Judgment Act.

15           Now, I certainly couldn't just as a matter of course  
16 refuse to entertain a dec relief action, but there are other  
17 considerations.

18           Generally, declaratory relief is appropriate when a  
19 judgment rendered by the declaratory relief Court would serve a  
20 useful purpose in clarifying or settling the legal  
21 relationships of the parties before it, and when that  
22 declaratory relief action will terminate the dispute and afford  
23 a relief from uncertainty. That's the whole purpose of having  
24 the declaratory relief procedure.

25           In this case it is very clear that whatever, whatever

1 relief is ordered by this Court would not terminate the dispute  
2 between the parties and would not afford the defendant the  
3 relief that it's seeking in its action. Its action is much  
4 broader than the action that's pending in this Court and that  
5 action would have to continue to be litigated.

6 I note that those -- the claims appear all to be  
7 state law causes of action coming under New York law and  
8 Connecticut law. Clearly, a Connecticut or New York Court is  
9 in a much better position than this Court to apply the laws of  
10 those states.

11 So the overriding consideration that persuades me to  
12 grant the motion to dismiss is that the action is not going to  
13 be terminated by anything this Court does.

14 Secondly, you have also raised the issue, and the  
15 Court has given consideration, to the question of this race to  
16 the courthouse. I prefer to use the terminology that most of  
17 the declaratory relief cases use, and that is apprehension.  
18 Whether or not the lawsuit was filed in apprehension.

19 Now, I have declarations between you, Mr. Stein, and  
20 Mr. Eisenberg that are more similar than they are dissimilar.  
21 You disagree on who said what about when litigation would be  
22 filed either by you or by Mr. Eisenberg on behalf of Jupiter,  
23 but you don't disagree that you talked about litigation and  
24 that Jupiterimages made it very clear that they wanted to seek  
25 the additional damages under clause 6.1 of the contract.

1           The fact that you talked about litigation, the fact  
2 that you told him that you would think about it over the  
3 weekend, but, instead, filed a lawsuit the very next day, the  
4 fact that the lawsuit you filed was a simply check-the-box form  
5 complaint permitted in state court without any detail  
6 whatsoever does suggest to me -- notwithstanding your  
7 protestations to the contrary, but it does suggest to me that  
8 you were attempting to perfect your client's position in having  
9 a favorable forum, as you have indicated in your papers, and  
10 that you did apprehend some litigation.

11           Now, there is a dispute as to how imminent that  
12 litigation was likely to have been, but I find that it was  
13 sufficiently imminent in your mind that you felt compelled to  
14 not even wait the entire weekend, to instead check a box and  
15 submit a complaint the next day.

16           Therefore, on the grounds of both the fact that the  
17 lawsuit would not be resolved and the fact that I find that  
18 there was some anticipation on your part, I find that sound  
19 judicial administration indicates that the lawsuits, two  
20 lawsuits of which there is no dispute that the parties are  
21 identical, that the claims, whether or not they are the more  
22 extensive state claims or the simple declaratory relief claims,  
23 arise out of the same transaction. It's this contract and the  
24 interpretation of this contract under state law. I find that  
25 there would be no purpose served by proceeding in two



**CERTIFICATE OF REPORTER**

I, DEBRA L. PAS, Official Reporter for the United States Court, Northern District of California, hereby certify that the foregoing proceedings in C 07-5540 PJH, STEVEN SHAPIRO vs JUPITERIMAGES, et al were reported by me, a certified shorthand reporter, and were thereafter transcribed under my direction into typewriting; that the foregoing is a full, complete and true record of said proceedings as bound by me at the time of filing.

The validity of the reporter's certification of said transcript may be void upon disassembly and/or removal from the court file.

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Debra L. Pas, CSR 11916, CRR, RMR, RPR

Friday, March 7, 2008